



Agriculture Industry Flash

Tuesday, November 20th, 2018

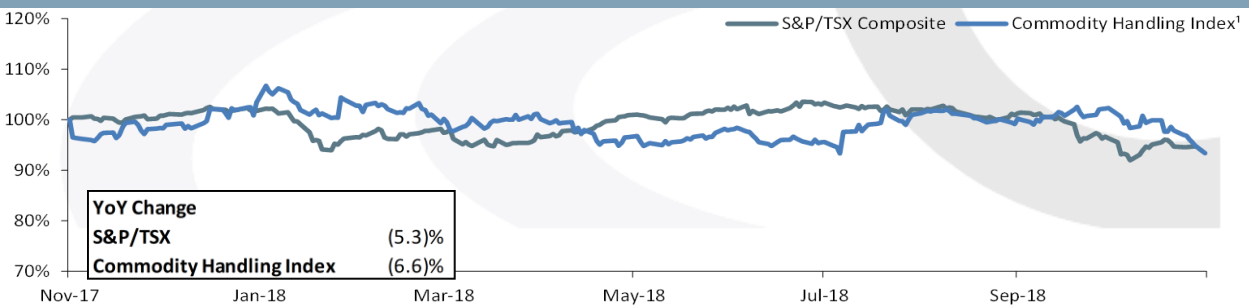


COMMODITY HANDLING

News Scan

- On November 16th, **Gardiner Dam Terminal (“GDT”)** announced that it has entered into an agreement to sell substantially all of the assets used in its grain handling and crop production businesses to **Viterra**. Additionally, Viterra has stated that it will sell the crop production assets to **Riverbend Co-operative** immediately upon closure of the transaction with GDT. Aggregate consideration for the transaction is ~C\$30 million and remains subject to a shareholder vote, among other conditions. Origin Merchant Partners acted as financial advisor to GDT on the transaction
- On November 13th, **Ceres Global Ag Corp.** announced that it has entered into a long-term agreement with **London Agricultural Commodities (“LAC”)**, an Ontario-based commodity marketer, to provide LAC with storage and handling services from Ceres’ Port Colborne grain elevator. The agreement connects the Port Colborne grain elevator to LAC’s vast origination network and will allow Ceres to more effectively utilize its capacity and capabilities
- On November 14th, **Grain Craft** announced that it has completed a year-long improvement project to expand and upgrade its flour mill in McPherson, Kansas. The improvements were implemented to increase warehouse storage and to enhance both packing and loading efficiency for the mill. In addition to the warehouse expansion, the mill added a new wheat unloading facility, which has doubled the original unload capacity
- On November 7th, **RiceBran Technologies** announced that it has exercised its option to acquire the assets and operations of **Golden Ridge Rice Mill’s** milling facility in Wynne, Arkansas. Total consideration is expected to be US\$7.5 million, with newly issued shares in RiceBran accounting for a little more than half of the transaction and assumption of debt for the remainder
- On November 7th, **Louis-Dreyfus** announced that **Akira B.V.**, Margarita Louis-Dreyfus’ trust and the company’s majority shareholder has secured the arrangements necessary to buy out the minority shareholders who wished to sell. Margarita Louis-Dreyfus, Chairperson of the Company, commented that this move will stabilize the ownership structure and put the company in a good position to execute on its growth strategy

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
ADM	25,963	33,348	8.0x	7.6x	13.0x	12.5x	(0.6)%	(11.1)%
Bunge Limited	8,241	16,018	8.2x	8.1x	12.3x	11.1x	(2.8)%	(29.8)%
Graincorp Limited	1,252	1,939	10.2x	10.5x	27.1x	41.7x	(5.1)%	(16.5)%
The Andersons, Inc	1,064	2,028	10.5x	9.4x	18.7x	14.8x	(1.2)%	(21.8)%
AGT Food and Ingredients	298	840	15.2x	11.6x	25.4x	14.0x	(6.6)%	(28.6)%
Ceres Global Ag	118	138	na	na	na	na	(1.6)%	(18.4)%
Mean			10.4x	9.5x	19.3x	18.8x	(3.0)%	(21.0)%

¹ “Commodity Handling Index” is composed of equally weighted market prices for: ADM, Bunge, Graincorp, Andersons, AGT, and Ceres.

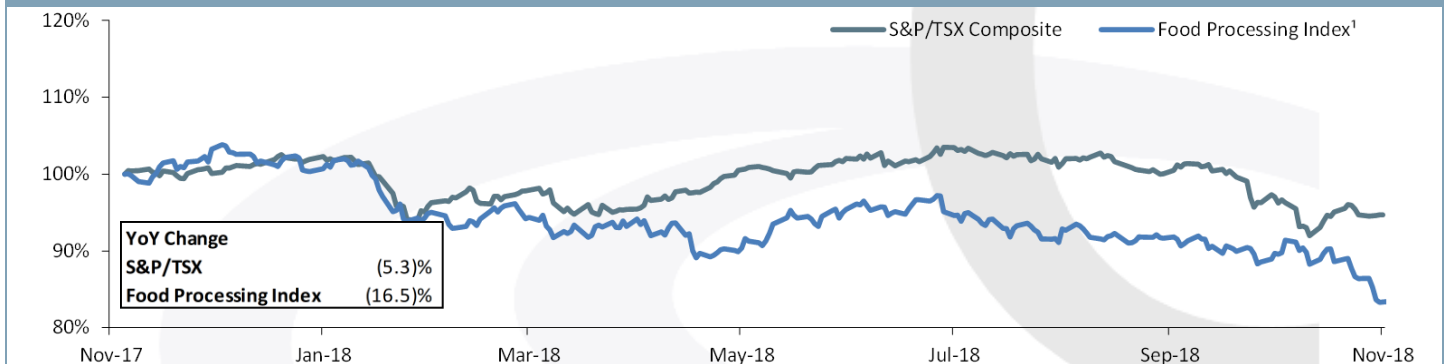


FOOD PROCESSING

News Scan

- On November 19th, **Beyond Meat**, owned by a consortium of private equity firms and **Tyson Ventures**, the venture capital arm of **Tyson Foods**, announced that it plans to raise US\$100 million in an initial public offering under the ticker BYND. Beyond Meat, a manufacturer of plant-based meat substitutes, had a net loss of US\$30.4 million on revenues of US\$32.6 million in 2017
- On November 13th, **Maple Leaf Foods** announced that it has closed its previously announced acquisition of **VIAU Foods**, a Canadian market leader in premium Italian cooked, cured, and charcuterie meats. The total consideration of C\$215 million includes C\$30 million in Maple Leaf stock. VIAU had sales of C\$180 million in fiscal 2018 and the transaction is expected to be accretive to Maple Leaf's EPS in the first year
- On November 12th, **Diageo** announced that it has agreed to sell a portfolio of 19 brands to **Sazerac** for an aggregate consideration of US\$550 million. The sale will allow Diageo to focus on its premium brands in the U.S.
- On November 12th, **Kellogg** announced that it plans to sell its cookie and fruit snacks businesses to bring a sharper focus to its core business and allow the company to concentrate on top-line growth and improve profitability
- On November 16th, reports indicated that **TreeHouse Foods** has hired financial advisors to run an auction for its trail-mix business, **Flagstone Foods**. TreeHouse previously acquired the business in 2014 for US\$860 million from **Gryphon Investors**. The company has stated that it is considering strategic alternatives to streamline its portfolio and reduce debt

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
			2018E	2019E	2018E	2019E		
George Weston Limited	11,053	27,330	8.2x	7.8x	14.0x	13.0x	1.0 %	(16.0)%
ConAgra Foods, Inc.	16,229	28,098	18.3x	12.6x	15.6x	14.4x	2.4 %	(15.2)%
Ingredion Incorporated	7,376	8,721	8.6x	8.3x	15.1x	13.8x	2.1 %	(28.7)%
Tate & Lyle plc	4,080	4,506	7.8x	7.8x	13.9x	13.3x	1.0 %	(4.3)%
Premium Brands	1,786	2,607	13.2x	10.4x	20.3x	15.1x	(4.3)%	(43.2)%
Maple Leaf Foods Inc.	2,735	2,969	11.2x	9.0x	23.0x	17.0x	(1.5)%	(21.2)%
SunOpta Inc.	375	973	16.1x	12.3x	neg	neg	(12.4)%	(52.4)%
Rogers Sugar	433	594	7.9x	7.5x	13.6x	11.7x	(1.8)%	(17.3)%
Mean			11.9x	9.7x	17.0x	14.4x	(1.7)%	(25.9)%

¹ "Food Processing Index" is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate&Lyle, Maple Leaf Foods, Premium, SunOpta, and Rogers Sugar.

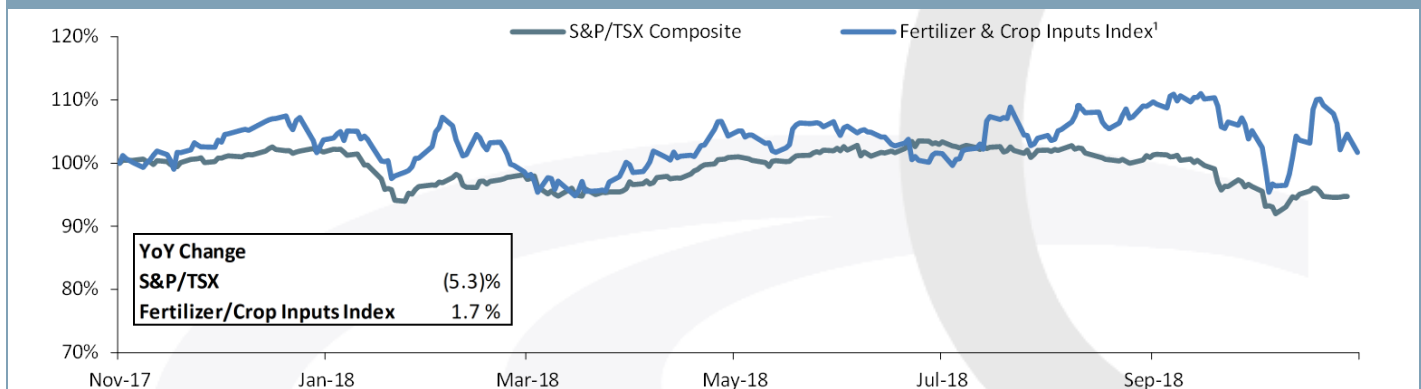


FERTILIZERS & CROP INPUTS

News Scan

- On November 19th, **Yara International** announced that Lars Røsæg will join the Yara management team as CFO, effective immediately. Mr. Røsæg replaces Petter Østbø who played a key role in implementing and driving Yara's production improvement program
- On November 16th, **Nutrien** announced that Pedro Farah has been appointed as the company's Executive Vice President and CFO, effective February 1st, 2019. Mr. Farah was previously Executive Vice President and Treasurer at Walmart and brings significant experience across corporate finance and strategic development. Mr. Farah's skills and knowledge across financial and retail services will assist the company in its growth initiatives
- On November 15th, **Centurion Minerals**, a producer of agri-mineral fertilizers in Argentina, announced that it has received the permits required to start shipments of agri-gypsum fertilizers from its flagship Ana Sofia project. The permits allow the company to supply product to its Paraguayan distribution partners. The company has an order book of 7,500 tonnes, and has processed and prepared 3,700 tonnes for export. Shipments are expected to start by end of November

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

Market	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
Nutrien Ltd.	31,997	43,350	10.7x	9.0x	19.4x	14.9x	(4.7)%	(9.6)%
CF Industries Holdings, Inc.	10,503	16,975	10.7x	8.7x	27.8x	16.4x	(8.1)%	(19.5)%
Yara International ASA	11,060	14,713	9.1x	6.5x	2.9x	1.6x	(10.1)%	(15.9)%
The Mosaic Company	13,464	17,337	8.4x	7.3x	18.2x	14.3x	(3.3)%	(6.5)%
Nufarm Ltd.	1,665	2,673	8.2x	6.9x	18.0x	12.9x	2.7%	(37.4)%
Input Capital Corp.	56	52	6.7x	3.3x	7.0x	4.2x	6.0%	(47.6)%
Mean			9.0x	6.9x	15.6x	10.7x	(2.9)%	(22.7)%

¹ "Fertilizers and Crop Inputs Index" is composed of equally weighted market prices for: Nutrien, CF Industries, Yara, Mosaic, Nufarm and Input Capital.

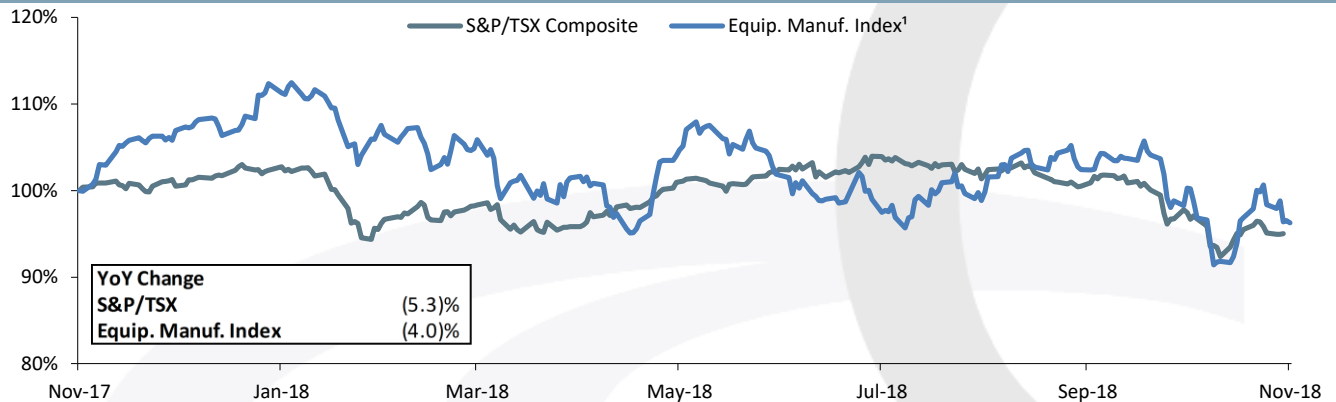


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On November 16th, **Vantage Canada**, an Alberta-based precision farming company providing Trimble-based technology solutions to farmers, announced that it has acquired **Vantage Manitoba** from **AgWest Ltd (formerly Toromont Ag)** for an undisclosed amount. The acquisition completes Vantage Canada's nationwide portfolio and will allow it to provide specialized sales and services across Canada
- On November 12th, **Balkrishna Industries**, an India-based off-highway tire manufacturer that provides replacement tires for heavy equipment brands like JCB, John Deere and CNH Industrial, announced that it plans to build a new tire manufacturing plant in the US for US\$100 million. The company is currently assessing potential locations and expects to acquire the land by the end of 2018. The plant is expected to have a production capacity of 20,000 MT and will serve the North American market. Currently, 80% of Balkrishna's sales in the US are related to agriculture equipment

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ	Δ Price
	Cap	TEV	2018E	2019E	2018E	2019E	Price	52Wk High
Deere & Company	45,861	50,275	9.7x	8.4x	18.6x	12.4x	(3.2)%	(18.7)%
AGCO Corp	4,490	6,347	7.6x	6.9x	15.1x	12.3x	(0.2)%	(24.5)%
Ag Growth International Inc.	743	1,125	10.1x	8.9x	18.5x	15.2x	(4.6)%	(16.3)%
Rocky Mountain Dealerships	140	168	6.4x	5.4x	10.1x	8.1x	0.5 %	(35.1)%
Cervus Equipment Corporation	163	207	4.7x	4.3x	8.2x	7.7x	0.7 %	(12.7)%
Mean			7.7x	6.8x	14.1x	11.2x	(1.3)%	(21.4)%

1 "Equip. Manuf. Index" is composed of equally weighted market prices for: Deere & Co., AGCO, Ag Growth International, Rocky Mountain Dealerships, Cervus.



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- According to a report by the **Prairie Organic Grain Initiative (POGI)**, organic farming is expanding in Western Canada, following slow growth and decline in the number of producers in the early 2010s. The growth is almost in every commodity and continues a trend that began in 2014. Organic acreage gains were led by Manitoba, which saw a gain of 62% from 34,600 acres to 56,200 acres, followed by Saskatchewan where acreage increased by 26% to 550,000 acres and Alberta which saw increases of 12% to 233,600 acres. Prices of organic products have remained high and have received on average a premium of 300% to their conventional counterparts
- Manitoba, the second largest potato growing province in Canada is experiencing a potato shortage. Growers originally expected to produce about 22 million hundredweight of potatoes in 2018, but the actual total is now expected to be about 20 million. Production decreased due to unfavourable weather conditions at harvest which prevented growers from digging up the entire crop. An estimated 64,000 acres were planted and 5,200 acres were left unharvested
- Large parts of the Ontario corn crop are facing vomitoxin issues which are impacting most producers, users and exporters of corn in the region. A large portion of the crop has yet to be harvested but certain regions of the province have exhibited high vom rates (exceeding 3-4 ppm). Despite increased vom rates, the majority of crops appear to be merchandisable to most end users within the province
- On November 9th, Canola futures hit a 15 month low, below C\$480 per tonne as deliveries were slowing down and the commercial pipeline is still filled with recently harvested canola supplies. Deliveries declined to 378KT during the first week of November, down from 500KT from the last week. Decreased exports also contributed to the decrease in price as existing stocks were more than enough to meet near-term demand, limiting end-user buying interest
- Industry experts expect India to re-enter the pulse buying market as seeding is decreasing and monsoons are weak in the country's agricultural regions. Last November, India went from the world's largest importer of pulse crops to limiting imports by placing tariffs on pulse products. Representatives from **Marina Commodities** have stated that there has been increased demand for red lentils in the last 10 days from India, and they expect these trends to continue in the following months
- The **US Department of Agriculture (USDA)** is forecasting increased soybean stocks to a record high due to trade tensions with China. The USDA estimates that soybean stocks will reach 26 million tonnes, up 14 million tonnes from last year. Global corn stocks, excluding China, are down providing support to corn prices and analysts expect that soybean acreage will be replaced with corn and wheat next spring
- The USDA is predicting a steep drop in US soybean acres next spring. Its baseline projections are forecasting 82.5 million acres of soybeans in 2019, down 6.6 million acres from 2018. The decrease is attributed to a slow recovery of US exports to China following recent trade tensions and increased competition from South American supply

Commodities Futures as of November 19th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.76	2.45 %	6.37 %
Wheat (CBOT)	\$ per bu.	\$5.15	1.43 %	18.86 %
Oats (CBOT)	\$ per bu.	\$2.98	5.78 %	22.68 %
Rough Rice (CBOT)	\$ per cwt.	\$10.89	2.16 %	(7.52)%
Rapeseed (Canola) (ICE)	CAD per T	\$476.90	(2.59)%	(2.83)%
Ethanol (CBOT)	\$ per gal.	\$1.26	(1.94)%	(7.40)%



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Commodity Handling				
GrainCorp Limited	(2.6%)	Earnings for the year ended September 30th were at the upper end of guidance due to strong performance from the malt and bulk liquid terminals segments. Overall group results are down due to a significant reduction in eastern Australia's grain production from the ongoing drought in New South Wales and Queensland. Underlying EBITDA was A\$269 million, down 30% YoY and NPAT decreased by 50% to A\$71 million	A\$8.01	6.6%
Wilmar International Limited	19.0%	Core earnings increased 14% YoY to US\$585.3 million for the quarter ended September 30th. The stronger performance was driven by tropical oils and oilseeds and grains, supported by a higher share of results of affiliates. Revenue increased by 4% due to improved volume across all segments. Net profit increased by 11% to US\$407.4 million due to improvements in downstream margins, stronger crush margins and improved performance in its sugar merchandising business	S\$2.58	(20.7%)

Origin Merchant Partners

220 Bay Street, Suite 1500
P.O. Box 23
Toronto, Ontario
M5J 2W4

OMP Agri-food Team:

Andrew Muirhead

Principal

T: 416-800-0697

andrew.muirhead@originmerchant.com

Jim Osler

Principal

T: 416-800-0784

jim.osler@originmerchant.com

Rob Penteliuk

Principal

T: 416-800-1780

rob.penteliuk@originmerchant.com